

HOW TRUMP'S INFRASTRUCTURE INVESTMENT WILL AFFECT REAL ESTATE?



Student: Qingying Ye
Poster Advisor: Illya Mowerman
Ernest C. Trefz School of Business
University of Bridgeport, Bridgeport, CT

Abstract:

The purpose of this research is to study how trump's infrastructure investment will affect real estate. Whether it has a positive correlation between infrastructure spending and housing cost. This research uses a city in China, Ningbo, as a successful case of infrastructure investment, and assumes Harrisburg PA has a similar situation as Ningbo, to discuss the future of its housing market trend. We expect that the housing cost in Harrisburg will tend to go up.

Introduction:

Since the Trump administration came to power, tax reform and infrastructure plans have become two popular topics. President Trump will unveil a \$1.5 trillion infrastructure plan. How to spend the money? We assume the investment in infrastructure is to fix America's infrastructure, such as: roads, highways, ports, railways, airports, and other urban infrastructure. How will it indirectly affect real estate? We will estimate the effect of infrastructure expenditures on the price of real estate by comparing prices before and after the investments. In order to understand the effect of this investment, we will use a similar city in China. Similar to Ningbo, Harrisburg is relatively close to major metropolitan areas as well as access to ports.

Ningbo, Zhejiang, China:

Ningbo is a port city located 140 miles south of Shanghai, with a population of 5.64 million(2007) to 8 million(2018). [1] Because of its huge infrastructure investment, and the city benefits from a multi-faceted transportation system based on a coordinated development of sea(port), land(highway, railroad) and air (airport) channels, drive the growth of the population and real estate price.

Population, Housing Cost (Ningbo):

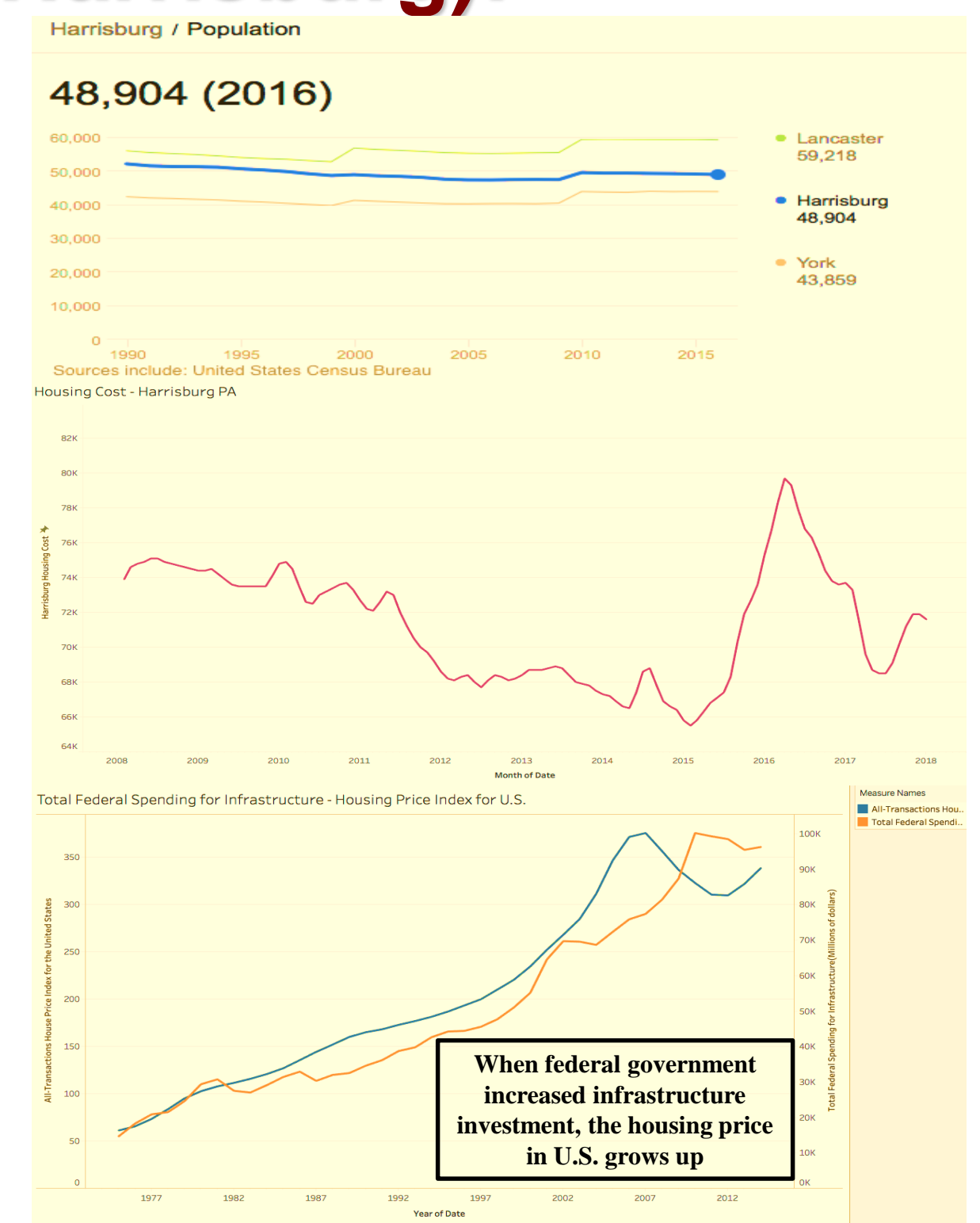


After the increase in price square meter (sm.), the effects of infrastructure investment carry on in the form of continued real estate development. In other words, after the large increase in price per sm. the economy continues to grow without further increase in price, but with increase redevelopment. Supply is meeting demand.

Harrisburg, PA:

Harrisburg is the capital city of Pennsylvania in the United States, with a population of 48,904, it is the ninth-largest city in the Commonwealth. It lies on the east bank of the Susquehanna River, 170 miles west of New York City.

Population, Housing Cost (Harrisburg):



Prediction for Harrisburg:

- In 2008, infrastructure investment in Ningbo was 62 billion yuan, the Central Government Investment (CGI) on infrastructure in China is 4 trillion yuan.
- It is assumed that Ningbo received approximately 15.5 billion yuan. (0.39% of CGI).
- If Harrisburg were to have a proportional investment from the US Federal Government, it is estimated that the total investment would be \$5.85 billion over a period of 10 years. This investment by the federal government would attract investment from the state, and local governments, as well as from the private sector.
- In Harrisburg, the average price per square foot is \$103. If this city were to have a proportional investment, we can expect that the housing prices would rise to \$135, on average within the first two years. Then from year three to year eight, there will be a continued investment in real estate development at the stabilized price.

Investment – Population – Real Estate:

During the Infrastructure Construction:

Infrastructure construction workers enter the city

Service people and educators enter the city

After the Infrastructure Construction:

- Some Infrastructure construction workers, service people, and educators stay in the city.

Complete Infrastructure

Attract New Business

Attract More People

Population Grows Up

Price of Real Estate Grows

Reference:

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Ningbo Government. (2017). *Ningbo statistical bureau*. Retrieved from STATISTICAL YEARBOOKS: <http://tjj.ningbo.gov.cn/tjnj/2004njbg.htm>